

**MOUNT AYR COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2016**



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**Mount Ayr Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2016**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2015 Election)</b>		
Patricia West	President	2015
Brandi Shay	Vice President	2015
Rodney Shields	Board Member	2017
Craig Winemiller	Board Member	2015
Kim Lutrick	Board Member	2017
<b>(After September 2015 Election)</b>		
Patricia West	President	2019
Brandi Shay	Vice President	2019
Rodney Shields	Board Member	2017
Craig Winemiller	Board Member	2019
Kim Lutrick	Board Member	2017
<b>School District Officials</b>		
Joe Drake	Superintendent	2016
Janette Campbell	District Secretary/Treasurer	2016
Ahlers & Cooney	Attorney	Indefinite



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
Mount Ayr Community School District  
Mount Ayr, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District, Mount Ayr, Iowa, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ayr Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the Mount Ayr Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Ayr Community School District's internal control over financial reporting

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

November 28, 2016

The Mount Ayr Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## **2016 FINANCIAL HIGHLIGHTS**

General Fund revenues increased from \$7,263,201 in fiscal 2015 to \$7,268,494 in 2016. General Fund expenditures increased from \$7,146,364 in fiscal 2015 to \$7,274,981. The District's General Fund balance increased from \$2,012,836 in fiscal 2015 to \$2,017,188 in fiscal 2016.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net position and a Statement of Activities. These provide information about the activities of the Mount Ayr Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Ayr Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mount Ayr Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

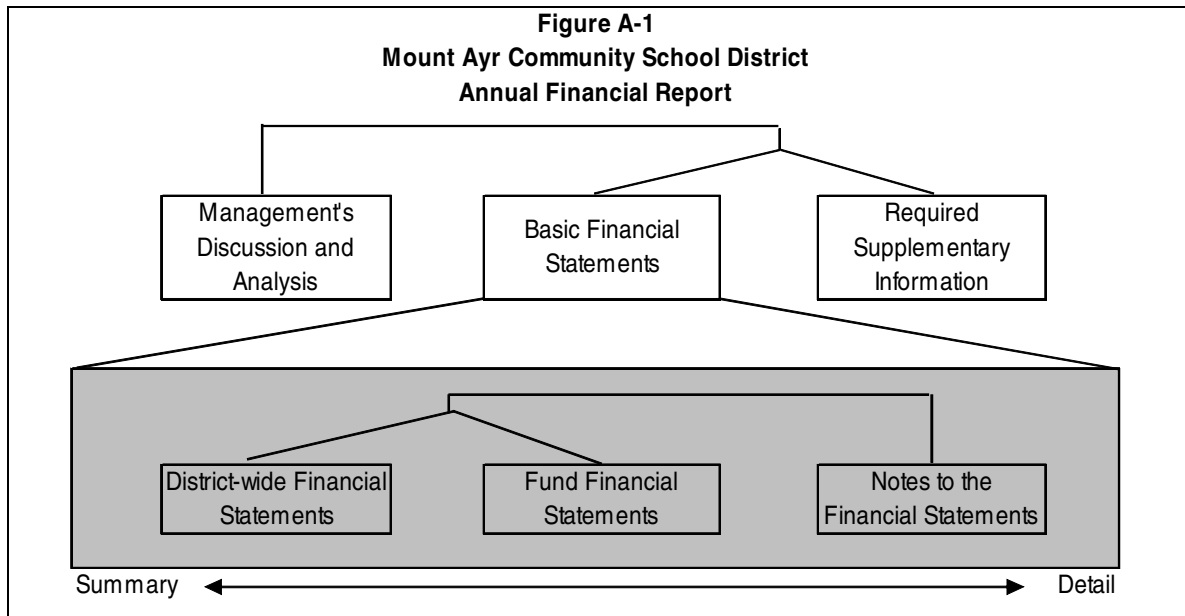




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Common names of district funds included	All funds with the exception of scholarship funds	General, PEEL, Management, Schoolhouse, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Sites for Learning	Memorial Fund

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net position includes all of the District's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Sites for Learning Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2016**

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Position</b>							
	<b>Governmental activities</b>		<b>Business type</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015-2016</b>
Current assets	\$ 10,315,722	8,861,712	186,586	168,709	10,502,308	9,030,421	16.3%
Capital assets, net	15,357,235	12,815,068	67,245	42,154	15,424,480	12,857,222	20.0%
<b>Total assets</b>	<b>25,672,957</b>	<b>21,676,780</b>	<b>253,831</b>	<b>210,863</b>	<b>25,926,788</b>	<b>21,887,643</b>	<b>18.5%</b>
Deferred outflows of resources	940,808	341,076	39,539	14,539	980,347	355,615	175.7%
<b>Total deferred outflows of resources</b>	<b>940,808</b>	<b>341,076</b>	<b>39,539</b>	<b>14,539</b>	<b>980,347</b>	<b>355,615</b>	<b>175.7%</b>
Current liabilities	2,741,736	1,842,472	38,748	30,842	2,780,484	1,873,314	48.4%
Long-term liabilities	11,335,896	9,006,629	126,783	104,401	11,462,679	9,111,030	25.8%
<b>Total liabilities</b>	<b>14,077,632</b>	<b>10,849,101</b>	<b>165,531</b>	<b>135,243</b>	<b>14,243,163</b>	<b>10,984,344</b>	<b>29.7%</b>
Deferred inflows of resources	4,423,425	4,499,389	31,981	39,304	4,455,406	4,538,693	-1.8%
<b>Total deferred inflows of resources</b>	<b>4,423,425</b>	<b>4,499,389</b>	<b>31,981</b>	<b>39,304</b>	<b>4,455,406</b>	<b>4,538,693</b>	<b>-1.8%</b>
Net position:							
Invested in capital assets, net of related debt	7,391,407	5,557,088	67,245	42,154	7,458,652	5,599,242	33.2%
Restricted	1,734,230	2,406,145	-	-	1,734,230	2,406,145	-27.9%
Unrestricted	(1,012,929)	(1,293,867)	28,613	8,701	(984,316)	(1,285,166)	-23.4%
<b>Total net position</b>	<b>\$ 8,112,708</b>	<b>6,669,366</b>	<b>95,858</b>	<b>50,855</b>	<b>8,208,566</b>	<b>6,720,221</b>	<b>22.1%</b>

The District's combined net position increased by nearly 22.1, or approximately \$1,488,345 over the prior year. The largest portion of the District's net position is invested in capital assets, e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$671,915, or -27.9 % under the prior year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation or other legal requirements) increased approximately \$300,850 or 152.8% over the previous year.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2016**

Figure A-4 shows the change in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

<b>Figure A-4 Changes in Net Position</b>							
	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015-2016</b>
Revenues:							
Program revenues:							
Charges for service and sales	\$ 970,495	911,661	218,301	216,288	1,188,796	1,127,949	5.4%
Operating grants, contributions and restricted interest	1,128,732	1,154,143	275,932	241,829	1,404,664	1,395,972	0.6%
General revenues:							
Property tax	3,770,774	3,610,559	-	-	3,770,774	3,610,559	4.4%
Statewide sales, services and use tax	616,816	597,092	-	-	616,816	597,092	3.3%
Unrestricted states grants	3,024,141	2,918,088	-	-	3,024,141	2,918,088	3.6%
Unrestricted investment earnings	14,839	11,271	-	-	14,839	11,271	31.7%
Other	668,868	1,140,131	-	10,000	668,868	1,150,131	-41.8%
Total revenues	10,194,665	10,342,945	494,233	468,117	10,688,898	10,811,062	-1.1%
Program expenses:							
Governmental activities:							
Instruction	5,613,187	5,618,986	-	-	5,613,187	5,618,986	-0.1%
Support services	2,546,227	2,314,813	-	-	2,546,227	2,314,813	10.0%
Non-instructional programs	7,583	15,678	449,230	435,985	456,813	451,663	1.1%
Other expenses	584,326	649,543	-	-	584,326	649,543	-10.0%
Total expenses	8,751,323	8,599,020	449,230	435,985	9,200,553	9,035,005	1.8%
Change in net position	1,443,342	1,743,925	45,003	32,132	1,488,345	1,776,057	182.5%
Net position beginning of year, as restated	6,669,366	4,925,441	50,855	18,723	6,720,221	4,944,164	35.9%
Net position end of year	\$ 8,112,708	6,669,366	95,858	50,855	8,208,566	6,720,221	22.1%

In fiscal year 2016, property tax and unrestricted state grants account for 66.65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93.24% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$10,194,665 and expenses were \$8,751,323.

The cost financed by users of the District's programs was \$970,495.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,128,732.

The net cost of governmental activities was financed with \$4,387,590 in property and other taxes and \$3,024,141 in unrestricted state grant.

<b>Figure A-5 Total and Net Cost of Governmental Activities</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	<b>2015</b>	<b>2015</b>	<b>2015-2016</b>	<b>2015</b>	<b>2015</b>	<b>2015-2016</b>
Instruction	\$ 5,613,187	5,618,986	-0.1%	3,781,522	3,812,016	-0.8%
Support services	2,546,227	2,314,813	10.0%	2,546,227	2,314,813	10.0%
Non-instructional programs	7,583	15,678	-51.6%	7,583	15,678	-51.6%
Other expenses	584,326	649,543	-10.0%	316,764	390,709	-18.9%
Totals	\$ 8,751,323	8,599,020	1.8%	6,652,096	6,533,216	1.8%

### **Business Type Activities**

Revenues for business type activities were \$494,233 and expenses were \$449,230. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District increased meal prices in 2015-2016. This increase has resulted in increased revenue to the School Nutrition Fund which the District will utilize in the future to offset the rising costs of food and labor.

The following table (Figure A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2016 compared to the year ended June 30, 2015.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Mount Ayr Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,960,817 over last year's ending fund balances of \$4,174,238. The primary reason for the increase in combined fund balances in fiscal 2016 is due to a donation made to the Capital Projects fund for an auditorium renovation that will be completed in the 2017 fiscal year.

### **Governmental Fund Highlights**

The District's General Fund financial position has strengthened compared to the 2015-2016 school year. The General Fund balance increased from \$2,012,836 in 2014-2015 to \$2,017,188 in 2015-2016. By implementing budget cuts and increasing revenues through property taxes, the district was able to end the 2015-2016 fiscal year with a positive balance.

The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$68,339 in fiscal 2015 to \$ 1,483,811 in 2016. The District levied for an additional \$1.34 in the Voter PEEL Fund and will use those funds for a renovation of the HVAC system. There was a net change in fund balance of \$1,415,472.

The Statewide Sales, Service and Use Tax Fund balance increased from \$780,253 in 2015 to \$821,625 in 2016.

### **Proprietary Fund Highlights**

Proprietary Fund net position increased from \$50,855 at June 30, 2015 to \$95,858 at June 30, 2016, representing an increase of approximately 46.95%. As previously noted, the District increased meal prices in 2015-2016 along with using the procurement method for food purchases in the Lunch Fund.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$10679,142 which was \$241,014 more than budgeted receipts. The most significant variance resulted from the increase in local sources.

Total expenditures were \$184,070 less than budgeted, due to the fact that instructional and support services were much less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2016, the District had invested \$15.42 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 20.0% for the year.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2016**

**Figure A-6  
Capital Assets, net of Depreciation**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total School District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015-2016</b>
Land	\$ 145,185	145,185	-	-	145,185	145,185	0.0%
Construction in progress	2,925,766	-	-	-	2,925,766	-	100.0%
Buildings	11,701,077	12,054,283	-	-	11,701,077	12,054,283	-2.9%
Improvements other than buildings	86,434	92,023	-	-	86,434	92,023	-6.1%
Furniture and equipment	498,773	523,577	67,245	42,154	566,018	565,731	0.1%
<b>Totals</b>	<b>\$ 15,357,235</b>	<b>12,815,068</b>	<b>67,245</b>	<b>42,154</b>	<b>15,424,480</b>	<b>12,857,222</b>	<b>20.0%</b>

**Long-Term Debt**

At June 30, 2016, the district had \$12,374,127 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 27.2% from last year. (See Figure A-7).

**Figure A-7  
Outstanding Long-Term Obligations, net premiums and discounts**

	<b>June 30,</b>		<b>Total Change</b>
	<b>2016</b>	<b>2015</b>	
<b>Governmental Activities:</b>			
General obligation bonds	\$ 4,755,560	5,299,888	-10.3%
Revenue bonds	1,803,980	1,958,092	-7.9%
Capital loan notes	2,805,000	-	100.0%
Early retirement	54,420	30,228	80.0%
Net pension liability	2,925,426	2,417,853	21.0%
Net OPEB liability	29,741	17,996	65.3%
Subtotal	12,374,127	9,724,057	27.3%
<b>Business Type Activities:</b>			
Net pension liability	124,356	103,061	20.7%
Net OPEB liability	2,427	1,340	81.1%
Subtotal	126,783	104,401	21.4%
<b>Totals</b>	<b>\$ 12,500,910</b>	<b>9,828,458</b>	<b>27.2%</b>

On October 1, 2001 the District authorized Energy Management Improvement Capital Loan Notes in the amount of \$225,000 bearing interest and maturing each year until December 1, 2012. In March of 2008, the District approved General Obligation School Bonds in the amount of \$6,700,000 and maturing each year until May 1, 2028. In September of 2009, the District passed School Infrastructure Sales, Services, and Use Tax Revenue Bonds in the amount of \$2,885,000. In March of 2015, The District refinanced their General Obligation Bonds in the amount of \$6,615,000 maturing each year until May 1, 2025. In February of 2016 the District added General Obligation School Capital Loan Notes (PPEL) in the amount of \$2,805,000 maturing each year until May 1, 2015.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

Mount Ayr Community School District serves a population of approximately 5,131, according to the 2010 census, mostly in southern Iowa's Ringgold County. District residents are, in general, employed locally and within the area's agricultural sector, but some residents commute to other employment options throughout neighboring counties. Leading local employers include the county hospital, the district, and other healthcare-related employers. Despite the somewhat limited local economy, countywide unemployment has historically been low; unemployment was 2.68% in April 2015, below state and well below national rates.

Enrollment has decreased 7.8 students on the October 2016 count .The Iowa Department of Education projects enrollment to increase to 634 students in the 2016-2017 school year. Management is projecting stable enrollment over the next several years.

The school district refinanced their general obligation bonds during the 2015 school year for interest cost savings and to shorten amortization by three years. Standard & Poor's Ratings Services assigned its 'A' long-term rating to the Mount Ayr Community School District. With this rating is the optimism that the district will continue its plan to increase and maintain reserves at strong levels despite potentially decreased enrollment.

The Mount Ayr Community School District approved the \$1.34 voter approved physical plant and equipment property tax levy for the 2016-2017 school year in order to help finance a new heating and cooling system for the district. The District renovated the auditorium in the spring of 2016 with the help of a generous donation, grants, and community support.

The District's valuations increased from \$261,891,176 for the 2015-2016 school year to \$273,443,568 for the 2016-2017 school year.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janette Campbell, District Secretary/Treasurer and Business Manager, Mount Ayr Community School District, 1001 East Columbus Street, Mount Ayr, IA 50854.

## **Basic Financial Statements**



**Mount Ayr Community School District**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 5,985,362	90,719	6,076,081
Receivables:			
Property tax:			
Delinquent	41,354	-	41,354
Succeeding year	3,675,861	-	3,675,861
Accounts	15,410	89,241	104,651
Due from other governments	597,735	-	597,735
Inventories	-	6,626	6,626
Total current assets	10,315,722	186,586	10,502,308
Noncurrent assets:			
Capital assets:			
Capital assets - nondepreciable	145,185	-	145,185
Construction in progress	2,925,766	-	2,925,766
Capital assets - depreciable, net	12,286,284	67,245	12,353,529
Total non current assets	15,357,235	67,245	15,424,480
<b>Total assets</b>	<b>\$ 25,672,957</b>	<b>253,831</b>	<b>25,926,788</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	940,808	39,539	980,347
<b>Liabilities</b>			
Current liabilities:			
Excess of outstanding warrants over bank balance	\$ 14,489	-	14,489
Accounts payable	761,600	1,605	763,205
Salaries and benefits payable	699,023	37,166	736,189
Internal balances	23	(23)	-
Due to other governments	40,184	-	40,184
Advances from grantors	164,161	-	164,161
Accrued interest payable	24,025	-	24,025
General obligation bonds	549,328	-	549,328
Revenue bonds	153,383	-	153,383
Capital loan notes	285,000	-	285,000
Early retirement	50,520	-	50,520
Total current liabilities	2,741,736	38,748	2,780,484
Noncurrent liabilities:			
General obligation bonds	4,206,232	-	4,206,232
Revenue bonds	1,650,597	-	1,650,597
Capital loan notes	2,520,000	-	2,520,000
Early retirement	3,900	-	3,900
Net pension liability	2,925,426	124,356	3,049,782
Net OPEB liability	29,741	2,427	32,168
Total noncurrent liabilities	11,335,896	126,783	11,462,679
<b>Total liabilities</b>	<b>14,077,632</b>	<b>165,531</b>	<b>14,243,163</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,675,861	-	3,675,861
Pension related deferred inflows	747,564	31,981	779,545
<b>Total deferred inflows of resources</b>	<b>4,423,425</b>	<b>31,981</b>	<b>4,455,406</b>

Exhibit A

**Mount Ayr Community School District  
Statement of Net Position  
June 30, 2016**

	Governmental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	7,391,407	67,245	7,458,652
Restricted for:			
Categorical funding	260,675	-	260,675
Management levy purposes	238,619	-	238,619
Student activities	191,764	-	191,764
Debt service	239,706	-	239,706
Capital projects	557,894	-	557,894
Physical, plant and equipment	245,572	-	245,572
Unrestricted	(1,012,929)	28,613	(984,316)
<b>Total net position</b>	<b>\$ 8,112,708</b>	<b>95,858</b>	<b>8,208,566</b>

See notes to financial statements.

**Mount Ayr Community School District**  
**Statement of Activities**  
**Year ended June 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,913,702	302,416	563,350	(2,047,936)	-	(2,047,936)
Special	1,314,104	215,953	244,754	(853,397)	-	(853,397)
Other	1,385,381	452,126	53,066	(880,189)	-	(880,189)
	<u>5,613,187</u>	<u>970,495</u>	<u>861,170</u>	<u>(3,781,522)</u>	<u>-</u>	<u>(3,781,522)</u>
Support Services:						
Student	200,701	-	-	(200,701)	-	(200,701)
Instructional staff	437,179	-	-	(437,179)	-	(437,179)
Administration	724,871	-	-	(724,871)	-	(724,871)
Operating and maintenance of plant	748,179	-	-	(748,179)	-	(748,179)
Transportation	435,297	-	-	(435,297)	-	(435,297)
	<u>2,546,227</u>	<u>-</u>	<u>-</u>	<u>(2,546,227)</u>	<u>-</u>	<u>(2,546,227)</u>
Non-instructional programs	<u>7,583</u>	<u>-</u>	<u>-</u>	<u>(7,583)</u>	<u>-</u>	<u>(7,583)</u>
Other expenditures:						
Facilities acquisition	106,638	-	-	(106,638)	-	(106,638)
Long-term debt interest	198,607	-	-	(198,607)	-	(198,607)
AEA flowthrough	267,562	-	267,562	-	-	-
Depreciation (unallocated)*	11,519	-	-	(11,519)	-	(11,519)
	<u>584,326</u>	<u>-</u>	<u>267,562</u>	<u>(316,764)</u>	<u>-</u>	<u>(316,764)</u>
Total governmental activities	<u>8,751,323</u>	<u>970,495</u>	<u>1,128,732</u>	<u>(6,652,096)</u>	<u>-</u>	<u>(6,652,096)</u>
Business type activities:						
Non-instructional programs:						
Nutrition services	378,340	168,580	241,932	-	32,172	32,172
Before and after school program	70,890	49,721	34,000	-	12,831	12,831
Total business type activities	<u>449,230</u>	<u>218,301</u>	<u>275,932</u>	<u>-</u>	<u>45,003</u>	<u>45,003</u>
Total primary government	<u>\$ 9,200,553</u>	<u>1,188,796</u>	<u>1,404,664</u>	<u>(6,652,096)</u>	<u>45,003</u>	<u>(6,607,093)</u>

Exhibit B

**Mount Ayr Community School District  
Statement of Activities  
Year ended June 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Operating Grants, Contributions					
	Expenses	Charges for Service	and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals from previous pages	\$ 9,200,553	1,188,796	1,404,664	(6,652,096)	45,003	(6,607,093)
General revenues:						
Property tax levied for:						
General purposes				2,725,223	-	2,725,223
Debt service				613,787	-	613,787
Capital outlay				431,764	-	431,764
Statewide sales, services and use tax				616,816	-	616,816
Unrestricted state grants				3,024,141	-	3,024,141
Contributions not restricted to specific programs				636,722	-	636,722
Unrestricted investment earnings				14,839	-	14,839
Gain on sale of capital assets				9,756	-	9,756
Other				22,390	-	22,390
Total general revenues				8,095,438	-	8,095,438
Change in net position				1,443,342	45,003	1,488,345
Net position beginning of year, as restated				6,669,366	50,855	6,720,221
Net position end of year				\$ 8,112,708	95,858	8,208,566

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## Exhibit C

**Mount Ayr Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 2,471,671	1	3,048,527	465,163	5,985,362
Receivables:					
Property tax:					
Delinquent	27,147	6,969	4,884	2,354	41,354
Succeeding year	2,348,159	621,051	456,651	250,000	3,675,861
Accounts	14,427	-	-	983	15,410
Due from other funds	-	-	-	18,000	18,000
Due from other governments	496,335	-	101,400	-	597,735
<b>Total assets</b>	<b>\$ 5,357,739</b>	<b>628,021</b>	<b>3,611,462</b>	<b>736,500</b>	<b>10,333,722</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Excess of outstanding warrants over bank balance	\$ -	14,053	-	-	14,053
Accounts payable	71,601	-	688,902	1,097	761,600
Salaries and benefits payable	698,423	-	-	600	699,023
Due to other funds	18,023	-	-	-	18,023
Due to other governments	40,184	-	-	-	40,184
<b>Total liabilities</b>	<b>828,231</b>	<b>14,053</b>	<b>688,902</b>	<b>1,697</b>	<b>1,532,883</b>
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	2,348,159	621,051	456,651	250,000	3,675,861
Income surtax	164,161	-	-	-	164,161
<b>Total deferred inflows of resources</b>	<b>2,512,320</b>	<b>621,051</b>	<b>456,651</b>	<b>250,000</b>	<b>3,840,022</b>
Fund balances:					
Restricted for:					
Categorical funding	260,675	-	-	-	260,675
Debt service	-	(7,083)	263,731	-	256,648
Management levy purposes	-	-	-	293,039	293,039
Student activities	-	-	-	191,764	191,764
School infrastructure	-	-	718,367	-	718,367
Physical, plant and equipment	-	-	1,483,811	-	1,483,811
Unassigned	1,756,513	-	-	-	1,756,513
<b>Total fund balances</b>	<b>2,017,188</b>	<b>(7,083)</b>	<b>2,465,909</b>	<b>484,803</b>	<b>4,960,817</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,357,739</b>	<b>628,021</b>	<b>3,611,462</b>	<b>736,500</b>	<b>10,333,722</b>

See notes to financial statements.

## Exhibit D

**Mount Ayr Community School District**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2016**

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**Total fund balances of governmental funds (Exhibit C)** **\$ 4,960,817**

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 15,357,235

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. (436)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in governmental funds, as follows:

Deferred outflows of resources	\$ 940,808	
Deferred inflows of resources	(747,564)	193,244

Long-term liabilities, including bonds and notes payable, compensated absences, accrued interest, other postemployment benefits, net pension liability and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds	(4,755,560)	
Revenue bonds	(1,803,980)	
Capital loan notes	(2,805,000)	
Accrued interest	(24,025)	
Net pension liability	(2,925,426)	
Net OPEB liability	(29,741)	
Early Retirement	(54,420)	(12,398,152)

**Net position of governmental activities (Exhibit A)** **\$ 8,112,708**

See notes to financial statements.

## Exhibit E

**Mount Ayr Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2016**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 2,524,337	613,787	431,764	200,886	3,770,774
Tuition	503,324	-	-	-	503,324
Other	95,944	18	582,530	462,630	1,141,122
Intermediate sources	10,834	-	-	-	10,834
State sources	3,852,270	5,089	618,765	946	4,477,070
Federal sources	281,785	-	-	-	281,785
Total revenues	7,268,494	618,894	1,633,059	664,462	10,184,909
Expenditures:					
Current:					
Instruction:					
Regular	2,661,594	-	-	16,800	2,678,394
Special	1,354,661	-	-	-	1,354,661
Other	952,207	-	-	455,632	1,407,839
	4,968,462	-	-	472,432	5,440,894
Support services:					
Student	205,231	-	-	-	205,231
Instructional staff	237,838	-	199,827	-	437,665
Administration	646,272	4,250	12,988	78,459	741,969
Operation and maintenance of plant	615,354	-	3,500	125,876	744,730
Transportation	334,262	-	84,525	401	419,188
	2,038,957	4,250	300,840	204,736	2,548,783
Other expenditures:					
Facilities acquisition	-	-	3,069,312	-	3,069,312
Long-term debt:					
Principal	-	695,000	-	-	695,000
Interest and fiscal charges	-	192,618	-	-	192,618
AEA flowthrough	267,562	-	-	-	267,562
	267,562	887,618	3,069,312	-	4,224,492
Total expenditures	7,274,981	891,868	3,370,152	677,168	12,214,169
Excess (deficiency) of revenues over (under) expenditures	(6,487)	(272,974)	(1,737,093)	(12,706)	(2,029,260)
Other financing sources:					
Operating transfers in	-	265,024	-	-	265,024
Operating transfers out	-	-	(265,024)	-	(265,024)
Proceeds from capital loan note	-	-	2,805,000	-	2,805,000
Sale of equipment	10,839	-	-	-	10,839
Total other financing sources (uses)	10,839	265,024	2,539,976	-	2,815,839
Change in fund balances	4,352	(7,950)	802,883	(12,706)	786,579
Fund balances beginning of year	2,012,836	867	1,663,026	497,509	4,174,238
Fund balances end of year	\$ 2,017,188	(7,083)	2,465,909	484,803	4,960,817

See notes to financial statements.

Exhibit F

**Mount Ayr Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2016**

**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 786,579**

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,962,674	
Undepreciated cost of assets sold	(1,083)	
Depreciation expense	<u>(419,424)</u>	2,542,167

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Proceeds from capital loan notes	(2,805,000)	
Repayments of bond and note principal	695,000	
Amortization of premiums and discounts	<u>3,440</u>	(2,106,560)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(9,429)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

377,658

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Early retirement	(24,192)	
Pension expense	(110,963)	
Other postemployment benefits	<u>(11,745)</u>	(146,900)

The change in Net Position of the Internal Service Funds represent an undercharge to the governmental funds served and, therefore, increases expenses in the Statement of Activities.

(173)

**Change in net position of governmental activities (Exhibit B)** **\$ 1,443,342**

See notes to financial statements.



**Mount Ayr Community School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business Type Activities Non-major Enterprise Fund	Governmental Activities Internal Services Fund
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 90,719	-
Accounts receivable	9,241	-
Grant from private foundation receivable	80,000	-
Due from other funds	23	-
Inventories	6,626	-
Total current assets	186,609	-
Non-current assets:		
Property and equipment:		
Machinery and equipment	317,976	-
Accumulated depreciation	(250,731)	-
Total non-current assets	67,245	-
<b>Total assets</b>	<b>\$ 253,854</b>	<b>-</b>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	39,539	-
<b>Liabilities</b>		
Current liabilities:		
Excess of outstanding warrants over bank balance	\$ -	436
Accounts payable	1,605	-
Salaries and benefits payable	37,166	-
Total current liabilities	38,771	436
Non-current liabilities:		
Net pension liability	124,356	-
Net OPEB liability	2,427	-
Total current liabilities	126,783	-
<b>Total liabilities</b>	<b>165,554</b>	<b>436</b>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	31,981	-
<b>Net Position</b>		
Net investment in capital assets	67,245	-
Unrestricted	28,613	(436)
<b>Total net position</b>	<b>\$ 95,858</b>	<b>(436)</b>

See notes to financial statements.

## Exhibit H

**Mount Ayr Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year ended June 30, 2016**

	Business Type Activities Non-major Enterprise Fund	Governmental Activities Internal Services Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 218,301	1,190
Operating expenses:		
Instructional programs:		
Instruction:		
Other	70,890	-
Administration		
Services	-	1,363
	70,890	1,363
Non-instructional programs:		
Food service operations:		
Depreciation	1,769	-
Other	376,571	-
	378,340	-
Total operating expenses	449,230	1,363
Operating loss	(230,929)	(173)
Non-operating revenues:		
Grant from private foundation	34,000	-
State sources	3,734	-
Federal sources	238,198	-
Total non-operating revenues	275,932	-
Change in net position	45,003	(173)
Net position beginning of year, as restated	50,855	(263)
Net position end of year	\$ 95,858	(436)

See notes to financial statements.

Exhibit I

**Mount Ayr Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2016**

	Business Type Activities Non-major Enterprise Fund	Governmental Activities Internal Services Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 166,716	-
Cash received from miscellaneous operating activities	52,515	1,190
Cash paid to employees for services	(214,279)	-
Cash paid to suppliers for goods or services	(204,237)	(1,626)
Net cash (used) by operating activities	(199,285)	(436)
Cash flows from non-capital financing activities:		
State grants received	3,734	-
Federal grants received	210,696	-
Net cash provided by non-capital financing activities	214,430	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(26,860)	-
	(26,860)	-
Net increase (decrease) in cash and cash equivalents	(11,715)	(436)
Cash and cash equivalents at beginning of year	102,434	-
Cash and cash equivalents at end of year	\$ 90,719	(436)
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating (loss)	\$ (230,929)	(173)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Commodities used	27,502	-
Depreciation	1,769	-
(Increase) in accounts receivable	952	-
(Increase) in due from other funds	(23)	-
Decrease in inventories	3,456	-
(Decrease) in accounts payable	(932)	(263)
Increase in salaries and benefits payable	8,861	-
Increase in net pension liability	21,295	-
Increase in net OPEB liability	1,087	-
(Increase) in deferred outflows of resources	(25,000)	-
(Decrease) in deferred inflows of resources	(7,323)	-
Net cash (used) by operating activities	\$ (199,285)	(436)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash	\$ 90,719	(436)
Cash and cash equivalents at year end	\$ 90,719	(436)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2016, the District received federal commodities valued at \$27,502.

See notes to financial statements.

Exhibit J

**Mount Ayr Community School District  
Statement of Fiduciary Net Position  
Fiduciary and Agency Funds  
June 30, 2016**

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	Expendable Trust Funds Memorial Fund
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 5,330
<b>Total assets</b>	<u>5,330</u>
<b>Liabilities</b>	
Accounts payable	-
Due to other funds	-
Due to other governments	-
<b>Total liabilities</b>	<u>-</u>
<b>Net position</b>	
Held in trust for special purposes	<u>\$ 5,330</u>

See notes to financial statements.

Exhibit K

**Mount Ayr Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

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	<u>Expendable Trust Funds</u> <u>Memorial Fund</u>
Additions	\$ 6,760
Deductions	<u>2,134</u>
Change in net position	4,626
Net position beginning of year	<u>704</u>
Net position end of year	<u><u>\$ 5,330</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The Mount Ayr Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Mount Ayr, Iowa, and the predominate agricultural territories in Ringgold and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mount Ayr Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Mount Ayr Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ringgold County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

The District reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise, Sites for Learning Fund is used to account for transactions related to the before and after school program providing recreational activities for elementary age children.

Internal Service Funds: The internal service funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District has the following internal service fund:

Flexible Benefits: This fund accounts for transactions for certain benefits available to District employees in which the District is responsible for paying all premiums or costs specified by the employee.

The District also report fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

Expendable Trust Fund is used to account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.



D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments– The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the other expenditures functional areas.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Fund - Statewide	
	Sales, Services and Use tax	\$ 248,874
Debt Service	Capital Projects Fund - Physical	
	Plant and Equipment Levy	16,150
Total		<u>\$ 265,024</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 145,185	-	-	145,185
Construction in progress	-	2,925,766	-	2,925,766
Total capital assets not being depreciated	145,185	2,925,766	-	3,070,951
Capital assets being depreciated:				
Buildings	19,096,322	-	-	19,096,322
Improvements other than buildings	437,424	-	-	437,424
Furniture and equipment	3,447,390	36,908	10,836	3,473,462
Total capital assets being depreciated	22,981,136	36,908	10,836	23,007,208
Less accumulated depreciation for:				
Buildings	7,042,039	353,210	-	7,395,249
Improvements other than buildings	345,401	5,588	-	350,989
Furniture and equipment	2,923,813	60,626	9,753	2,974,686
Total accumulated depreciation	10,311,253	419,424	9,753	10,720,924
Total capital assets being depreciated, net	12,669,883	(382,516)	1,083	12,286,284
Governmental activities capital assets, net	\$ 12,815,068	2,543,250	1,083	15,357,235
<b>Business type activities:</b>				
Furniture and equipment	\$ 291,117	26,860	-	317,977
Less accumulated depreciation	248,963	1,769	-	250,732
Business type activities capital assets, net	\$ 42,154	25,091	-	67,245

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 312,892
Special	9,704
Other	15,359

Support services:

Student	3,840
Instructional staff	4,344
Administration	4,200
Operation and maintenance of plant	14,225
Transportation	27,982
Non-instructional programs	15,359

	407,905
Unallocated	11,519
Total depreciation expense - governmental activities	\$ 419,424

Business type activities:

Food services	\$ 1,769
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,210,000	-	535,000	4,675,000	540,000
Premiums on general obligation bonds	89,888		9,328	80,560	9,328
Subtotal general obligation bonds	5,299,888	-	544,328	4,755,560	549,328
Revenue bonds	1,985,000	-	160,000	1,825,000	155,000
Discounts on revenue bonds	(26,908)		(5,888)	(21,020)	(1,617)
Subtotal revenue bonds	1,958,092	-	154,112	1,803,980	153,383
Capital loan notes	-	2,805,000	-	2,805,000	285,000
Net pension liability	2,417,853	507,573	-	2,925,426	-
Net OPEB liability	17,996	11,745	-	29,741	-
Early retirement	30,228	46,620	22,428	54,420	50,520
Subtotal, governmental activities	9,724,057	3,370,938	720,868	12,374,127	1,038,231
Business type activities					
Net pension liability	103,061	21,295	-	124,356	-
Net OPEB liability	1,340	1,087	-	2,427	-
Subtotal, business type activities	104,401	22,382	-	126,783	-
Total	\$ 9,828,458	3,393,320	720,868	12,500,910	1,038,231

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2013				
Year ended June 30,	Rates	Principal	Interest	Total
2017	1.500%	\$ 540,000	79,550	619,550
2018	1.500%	550,000	71,450	621,450
2019	1.500%	555,000	63,200	618,200
2020	1.500%	565,000	54,875	619,875
2021	1.750%	575,000	46,400	621,400
2022	1.750%	585,000	36,338	621,338
2023	2.000%	595,000	26,100	621,100
2024	2.000%	510,000	14,200	524,200
2025	2.000%	200,000	4,000	204,000
Total		\$ 4,675,000	396,113	5,071,113

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of September 1, 2009				
Year ended June 30,	Rates	Principal	Interest	Total
2017	3.750%	\$ 155,000	83,292	238,292
2018	4.000%	150,000	77,480	227,480
2019	4.125%	150,000	71,480	221,480
2020	4.250%	145,000	65,292	210,292
2021	4.400%	145,000	59,130	204,130
2022	4.500%	140,000	52,750	192,750
2023	4.625%	140,000	46,450	186,450
2024	4.750%	140,000	39,975	179,975
2025	5.000%	135,000	33,325	168,325
2026	5.000%	135,000	26,575	161,575
2027	5.000%	130,000	19,825	149,825
2028	5.125%	130,000	13,325	143,325
2029	5.125%	130,000	6,662	136,662
Total		\$ 1,825,000	595,561	2,420,561

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,885,000 of bonds issued in September, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,420,561. For the current year, \$160,000 of principal and \$88,892 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$616,816.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$263,731 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2016.

Notes

During the year ended June 30, 2016, the District issued school equipment notes to provide funds for the purchase of equipment. The notes bear interest at 2.303% per annum and are payable from the Capital Projects, Physical Plant and Equipment Levy Fund. details of the District's note indebtedness at June 30, 2016 are as follows:

Notes Issue of February 1, 2016				
Year ended June 30,	Rates	Principal	Interest	Total
2017	1.500%	\$ 285,000	64,599	349,599
2018	1.500%	290,000	58,036	348,036
2019	1.500%	295,000	51,357	346,357
2020	1.500%	305,000	44,563	349,563
2021	1.750%	310,000	37,539	347,539
2022	1.750%	320,000	30,400	350,400
2023	2.000%	325,000	23,030	348,030
2024	2.000%	335,000	15,545	350,545
2025	2.000%	340,000	7,830	347,830
Total		\$ 2,805,000	332,899	3,137,899

During the year June 30, 2016, the District made note principal and interest payments totaling \$16,150.

#### (6) Pension Plan

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$391,367.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of 3,049,782 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.061346%, which was a decrease of 0.000944% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$113,644. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,078	-
Changes of assumptions	83,968	69,416
Net difference between projected and actual earnings on pension plan investments	456,308	710,129
Changes in proportion and differences between District contributions and proportionate share of contributions	2,626	-
District contributions subsequent to the measurement date	391,367	-
Total	<u>\$ 980,347</u>	<u>779,545</u>

\$391,367 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2016	\$ (102,308)
2017	(102,308)
2018	(102,308)
2019	117,264
2020	(905)
	<u>\$ (190,565)</u>

There are no non-employer contributing entities at IPERS.



Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 5,339,619	\$ 3,049,782	\$ 1,116,995

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$27,028 for legally required employer contributions and \$18,009 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 109 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	19,843
Interest on net OPEB		483
Adjustments to annual required contribution		(1,749)
Annual OPEB cost		<u>18,577</u>
Contributions made		<u>5,745</u>
Increase in net OPEB obligation		12,832
Net OPEB obligation beginning of year		<u>19,336</u>
Net OPEB obligation end of year	\$	<u><u>32,168</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$5,745 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 28,500	177.50%	\$ (22,100)
June 30, 2011	25,450	13.16%	-
June 30, 2012	24,687	100.00%	-
June 30, 2013	30,519	100.00%	-
June 30, 2014	29,493	100.00%	-
June 30, 2015	38,776	50.13%	19,336
June 30, 2016	18,577	30.92%	32,168

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$113,934, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$113,934. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,726,703, and the ratio of the UAAL to covered payroll was 3.1%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$289 per month for retirees less than age 65 and \$300 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### (8) Termination Benefits

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-four by September 1, but not more than sixty-two years of age by June 1 preceding the year of retirement and employees must have completed ten years of service to the District. Employees must complete an application and an attached letter of resignation which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is the difference between the salary schedule base and the employee's placement on the salary schedule using the salary schedule in effect for the last year of employment and subject to a maximum of \$19,475 to \$36,000 per individual depending upon the individual's level of education and service to the District.

Early retirement benefits for classified employees are paid monthly and cease when the retiree reaches the age of 65. Early retirement benefits for certified staff are paid in one payment in September of the year following the year of retirement.

At June 30, 2016, the District has obligations to 6 participants with a total liability of \$54,420. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$22,428.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$267,562 for the year ended June 30, 2016, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Operating Leases**

The District leases copy machines under noncancelable operating leases. Total costs for such leases were approximately \$40,211 for the year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

Year ending June 30:	
2017	\$ 40,211
2018	40,211
	<u>\$ 80,422</u>

**(12) Fiscal Agent**

Under an intergovernmental agreement between Clearfield Community School District, Mount Ayr Community School District, Bedford Community School District, Lenox Community School District, and Diagonal Community School District, the Clearfield Community School District agreed to combine its services with the other Districts for the purpose of enhancing the educational services provided to the District's citizens. On June 30, 2014, Mount Ayr Community School District became the fiscal agent for this agreement. As of June 30, 2015, there were \$105,310 of assets and liabilities in the District's agency fund related to this activity. As of June 30, 2016, all assets and liabilities in this agency fund had been disbursed.

**(13) Restatement**

The District received funds from a Dekka grant in the Sites for Learning Fund that pertained to the fiscal years ended June 30, 2014 and June 30, 2015.

	Business Type Activities
Net position June 30, 2015 as previously reported	\$ 4,855
Corrected receivable at June 30, 2015	46,000
Net Position July 1, 2015, as restated.	<u>\$ 50,855</u>

### **Required Supplementary Information**

**Mount Ayr Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2016**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 5,415,220	252,301	5,667,521	5,260,423	407,098
Intermediate sources	10,834	-	10,834	634,000	(623,166)
State sources	4,477,070	3,734	4,480,804	3,988,705	492,099
Federal sources	281,785	238,198	519,983	555,000	(35,017)
Total revenues	10,184,909	494,233	10,679,142	10,438,128	241,014
Expenditures:					
Instruction	5,440,894	70,890	5,511,784	6,713,594	1,201,810
Support services	2,548,783	-	2,548,783	3,778,657	1,229,874
Non-instructional programs	-	378,340	378,340	575,055	196,715
Other expenditures	4,224,492	-	4,224,492	1,780,163	(2,444,329)
Total expenditures/expenses	12,214,169	449,230	12,663,399	12,847,469	184,070
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,029,260)	45,003	(1,984,257)	(2,409,341)	425,084
Other financing sources, net	2,815,839	-	2,815,839	5,000	2,810,839
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	786,579	45,003	831,582	(2,404,341)	3,235,923
Balances beginning of year, as restated	4,174,238	50,855	4,225,093	2,826,105	1,398,988
Balances end of year	\$ 4,960,817	95,858	5,056,675	421,764	4,634,911

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2016**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures in the other expenditures function exceeded the amounts budgeted.

**Mount Ayr Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**For The Last Two Years\* (In Thousands)**  
**Required Supplementary Information**

	2016	2015
District's proportion of the net pension liability	0.061346%	0.062290%
District's proportion of the net pension pension liability	\$ 3,050	\$ 2,521
District's covered-employee payroll	\$ 4,229	\$ 4,191
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.12%	60.15%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

\*In accordance with GASB Statement no.68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



**Mount Ayr Community School District**  
**Schedule of District Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years (In Thousands)**  
**Required Supplementary Information**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 391	378	373	353	345	298	304	299	268	256
Contributions in relation to the statutorily required contribution	(391)	(378)	(373)	(353)	(345)	(298)	(304)	(299)	(268)	(256)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,383	4,229	4,191	4,218	4,281	4,284	4,635	4,664	4,347	4,405
Contributions as a percentage of covered-employee payroll	8.92%	8.94%	8.90%	8.37%	8.06%	6.96%	6.56%	6.41%	6.17%	5.81%

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Notes to Required Supplementary Information - Pension Liability**  
**Year Ended June 30, 2016**

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Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**Mount Ayr Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2016**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	310,185	310,185	0.0%	\$ 3,697,800	8.4%
2011	July 1, 2009	-	310,185	310,185	0.0%	3,696,096	8.4%
2012	July 1, 2009	-	310,185	310,185	0.0%	3,946,165	7.9%
2013	July 1, 2012	-	218,379	218,379	0.0%	4,318,722	5.1%
2014	July 1, 2012	-	218,379	218,379	0.0%	4,268,436	5.1%
2015	July 1, 2012	-	218,379	218,379	0.0%	3,792,721	5.8%
2016	July 1, 2015	-	113,934	113,934	0.0%	3,726,703	3.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

See accompanying independent auditor's report.

### **Supplementary Information**

**Mount Ayr Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue		
	Management	Student Activity	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 273,285	191,878	465,163
Receivables:			
Property tax:			
Delinquent	2,354	-	2,354
Succeeding year	250,000	-	250,000
Accounts	-	983	983
Due from other funds	18,000	-	18,000
<b>Total assets</b>	<b>\$ 543,639</b>	<b>192,861</b>	<b>736,500</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	1,097	1,097
Salaries and benefits payable	600	-	600
Total liabilities	600	1,097	1,697
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	250,000	-	250,000
Total deferred inflows of resources	250,000	-	250,000
Fund balances:			
Restricted for:			
Management levy purposes	293,039	-	293,039
Student activities	-	191,764	191,764
Total fund balances	293,039	191,764	484,803
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 543,639</b>	<b>192,861</b>	<b>736,500</b>

See accompanying independent auditor's report.

## Schedule 2

**Mount Ayr Community School District****Combining Schedule of Revenues, Expenditures and Changes in Fund Balances****Non-Major Governmental Funds****June 30, 2016**

	Special Revenue		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 200,886	-	200,886
Other	10,948	451,682	462,630
State sources	946	-	946
Total revenues	212,780	451,682	664,462
Expenditures:			
Current:			
Instruction:			
Regular	16,800	-	16,800
Other	-	455,632	455,632
Support Services:			
Administration	78,459	-	78,459
Operation and maintenance of plant	125,876	-	125,876
Student transportation	401	-	401
Total expenditures	221,536	455,632	677,168
Excess (deficiency) of revenues over (under) expenditures	(8,756)	(3,950)	(12,706)
Change in fund balances	(8,756)	(3,950)	(12,706)
Fund balances beginning of year	301,795	195,714	497,509
Fund balances end of year	\$ 293,039	191,764	484,803

See accompanying independent auditor's report.

## Schedule 3

**Mount Ayr Community School District**  
**Combining Balance Sheet**  
**Capital Projects Fund Accounts**  
**June 30, 2016**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 762,608	1,903,367	382,552	3,048,527
Receivables:				
Property tax:				
Current year delinquent	-	4,884	-	4,884
Succeeding year	-	456,651	-	456,651
Due from other governments	101,400	-	-	101,400
<b>Total assets</b>	<b>\$ 864,008</b>	<b>2,364,902</b>	<b>382,552</b>	<b>3,611,462</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 42,383	424,440	222,079	688,902
Total liabilities	42,383	424,440	222,079	688,902
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	456,651	-	456,651
Total deferred inflows of resources	-	456,651	-	456,651
Fund balances:				
Restricted for:				
Debt service	263,731	-	-	263,731
School infrastructure	557,894	-	160,473	718,367
Physical, plant and equipment	-	1,483,811	-	1,483,811
Total fund balances	821,625	1,483,811	160,473	2,465,909
<b>Total liabilities, deferred inflows or resources and fund balances</b>	<b>\$ 864,008</b>	<b>2,364,902</b>	<b>382,552</b>	<b>3,611,462</b>

See accompanying independent auditor's report.

## Schedule 4

**Mount Ayr Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Projects Fund Accounts**  
**Year ended June 30, 2016**

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	431,764	-	431,764
Other	133	30,000	552,397	582,530
State sources	616,816	1,949	-	618,765
Total revenues	616,949	463,713	552,397	1,633,059
Expenditures:				
Current:				
Support Services:				
Instructional staff	199,827	-	-	199,827
Administration	56	12,500	432	12,988
Operation and maintenance of plant	3,500	-	-	3,500
Transportation	-	84,525	-	84,525
	203,383	97,025	432	300,840
Other expenditures:				
Facilities acquisition	123,320	1,740,066	1,205,926	3,069,312
Total expenditures	326,703	1,837,091	1,206,358	3,370,152
Excess (deficiency) of revenues over (under) expenditures	290,246	(1,373,378)	(653,961)	(1,737,093)
Other financing sources (uses):				
Proceeds from capital loan note	-	2,805,000	-	2,805,000
Operating transfers out	(248,874)	(16,150)	-	(265,024)
Total other financing sources(uses)	(248,874)	2,788,850	-	2,539,976
Change in fund balances	41,372	1,415,472	(653,961)	802,883
Fund balances beginning of year	780,253	68,339	814,434	1,663,026
Fund balances end of year	\$ 821,625	1,483,811	160,473	2,465,909

See accompanying independent auditor's report.



**Mount Ayr Community School District**  
**Combining Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 65,459	25,260	90,719	-
Accounts receivable	-	9,241	9,241	-
Grant from private foundation receivable	-	80,000	80,000	-
Due from other funds	23	-	23	-
Inventories	6,626	-	6,626	-
Total current assets	72,108	114,501	186,609	-
Non-current assets:				
Property and equipment:				
Machinery and equipment	317,976	-	317,976	-
Accumulated depreciation	(250,731)	-	(250,731)	-
Total non-current assets	67,245	-	67,245	-
<b>Total assets</b>	<b>\$ 139,353</b>	<b>114,501</b>	<b>253,854</b>	<b>-</b>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	29,376	10,163	39,539	-
<b>Liabilities</b>				
Current liabilities:				
Excess of outstanding warrants over bank balance	\$ -	-	-	436
Accounts payable	-	1,605	1,605	-
Salaries and benefits payable	26,113	11,053	37,166	-
Total current liabilities	26,113	12,658	38,771	436
Non-current liabilities:				
Net pension liability	91,009	33,347	124,356	-
Net OPEB liability	2,124	303	2,427	-
Total non-current liabilities	93,133	33,650	126,783	-
<b>Total liabilities</b>	<b>119,246</b>	<b>46,308</b>	<b>165,554</b>	<b>436</b>
<b>Deferred Inflows of Resources</b>				
Pension related deferred inflows	23,208	8,773	31,981	-
<b>Net Position</b>				
Net investment in capital assets	67,245	-	67,245	-
Unrestricted	(40,970)	69,583	28,613	(436)
<b>Total net position</b>	<b>\$ 26,275</b>	<b>69,583</b>	<b>95,858</b>	<b>(436)</b>

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
Operating revenues:				
Local sources:				
Other local sources:				
Food service sales	\$ 166,716	-	166,716	-
Other operating revenues	1,864	49,721	51,585	1,190
Total operating revenues	168,580	49,721	218,301	1,190
Operating expenses:				
Instructional programs:				
Instruction:				
Salaries	-	51,715	51,715	-
Benefits	-	8,114	8,114	-
Services	-	3,316	3,316	-
Supplies	-	7,745	7,745	-
Support services:				
Administration				
Services	-	-	-	1,363
	-	70,890	70,890	1,363
Non-instructional programs:				
Food services operations:				
Salaries	132,203	-	132,203	-
Benefits	21,166	-	21,166	-
Services	346	-	346	-
Supplies	222,856	-	222,856	-
Depreciation	1,769	-	1,769	-
	378,340	-	378,340	-
Total operating expenses	378,340	70,890	449,230	1,363
Operating gain (loss)	(209,760)	(21,169)	(230,929)	(173)
Non-operating revenues:				
Grant from private foundation	-	34,000	34,000	-
State lunch and breakfast program claims	3,734	-	3,734	-
National School Lunch Program	149,106	-	149,106	-
School Breakfast Program	61,590	-	61,590	-
Food distribution	27,502	-	27,502	-
Total non-operating revenues	241,932	34,000	275,932	-
Change in net position	32,172	12,831	45,003	(173)
Net position beginning of year, as restated	(5,897)	56,752	50,855	(263)
Net position end of year	\$ 26,275	69,583	95,858	(436)

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**June 30, 2016**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 166,716	-	166,716	-
Cash received from other operating activities	1,864	50,651	52,515	1,190
Cash payments to employees for services	(159,999)	(54,280)	(214,279)	-
Cash payments to suppliers for goods or services	(192,320)	(11,917)	(204,237)	(1,626)
Net cash provided (used) by operating activities	(183,739)	(15,546)	(199,285)	(436)
Cash flows from non-capital financing activities:				
Grant from private foundation	-	-	-	-
State grants received	3,734	-	3,734	-
Federal grants received	210,696	-	210,696	-
Net cash provided by non-capital financing activities	214,430	-	214,430	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(26,860)	-	(26,860)	-
Net cash provided (used) by capital and related financing activities	(26,860)	-	(26,860)	-
Net increase (decrease) in cash and cash equivalents	3,831	(15,546)	(11,715)	(436)
Cash and cash equivalents at beginning of year	61,628	40,806	102,434	-
Cash and cash equivalents at end of year	\$ 65,459	25,260	90,719	(436)
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>				
Operating gain (loss)	\$ (209,760)	(21,169)	(230,929)	(173)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities used	27,502	-	27,502	-
Depreciation	1,769	-	1,769	-
Decrease (Increase) in accounts receivable	22	930	952	-
Decrease (Increase) in due from other funds	(23)	-	(23)	-
Decrease in inventories	3,456	-	3,456	-
Increase (Decrease) in accounts payable	(76)	(856)	(932)	(263)
Increase in salaries and benefits payable	957	7,904	8,861	-
Increase in net pension liability	15,857	5,438	21,295	-
Increase in net OPEB liability	784	303	1,087	-
Decrease (Increase) in deferred outflows of resources	(18,774)	(6,226)	(25,000)	-
(Decrease) in deferred inflows of resources	(5,453)	(1,870)	(7,323)	-
Net cash provided (used) by operating activities	\$ (183,739)	(15,546)	(199,285)	(436)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	\$ 65,459	25,260	90,719	(436)
Cash and cash equivalents at year end	\$ 65,459	25,260	90,719	(436)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2016, the District received federal commodities valued at \$27,502.

See accompanying independent auditor's report.

## Schedule 8

**Mount Ayr Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2016**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Adult Education	\$ 1,402	12	181	1,233
Art Club	50	300	200	150
Athletics:				
Football	17,474	40,117	46,121	11,470
Volleyball	1,573	8,464	8,151	1,886
Wrestling	4,698	16,980	16,625	5,053
Boys' basketball	(128)	6,832	5,185	1,519
Girls' basketball	2,123	8,106	8,954	1,275
Boys' track	3,850	7,534	8,796	2,588
Girls' track	1,238	4,587	4,608	1,217
Cross Country resale	562	2,788	2,610	740
Golf	2,148	7,711	7,199	2,660
Baseball	3,574	6,961	11,521	(986)
Softball	1,970	3,067	4,613	424
Bowling	82	191	204	69
General Athletics	26,186	127,501	120,760	32,927
Ayrian	9,298	10,175	9,803	9,670
Band	1,440	2,114	3,985	(431)
Stand for the Silent	572	1,743	1,277	1,038
Cheerleaders	1,432	5,321	7,016	(263)
Class:				
Senior	25	3,552	3,577	-
Junior	3,249	11,087	11,455	2,881
Sophomore	2,250	(192)	65	1,993
Freshman	2,058	(160)	46	1,852
Concessions	5,416	55,032	54,596	5,852
Drama Club	3,497	10,987	11,966	2,518
Drill Team	2,867	10,891	11,590	2,168
Elementary Activities	10,334	9,787	8,759	11,362
Elementary Library	979	2,667	3,196	450
Elementary Student Council	2,324	151	90	2,385
Future Consumer Comm Leadership Assoc	998	-	-	998
Future Farmers of America	14,477	45,160	35,035	24,602
Gifts/Memorials	3,635	125	3,760	-
Industrial Arts	1,580	8,754	7,954	2,380
Hall of Fame	4,769	-	3,128	1,641
Middle School	3,796	(1,150)	-	2,646
National Honor Society	282	-	1	281
Pep Club	(680)	-	(680)	-
Resale	2,483	-	1	2,482
S.A.D.D.	753	-	-	753
Science Club	259	-	-	259
SFL	28,789	19,463	8,229	40,023
Special Olympics	1,396	237	900	733
Transition Club	-	700	327	373
Student Council	457	1,381	1,092	746
Student Activity/vending	3,767	296	4,063	-
Talented and Gifted Club	1,689	-	794	895

## Schedule 8

**Mount Ayr Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2016**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Tech Club	853	764	761	856
Vocal music	757	329	297	789
Weightlifting	2,449	2,320	4,809	(40)
Laptop Program	10,430	8,866	11,881	7,415
Middle School Student Council	232	131	131	232
Total	\$ 195,714	451,682	455,632	191,764

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 3,770,774	3,606,166	3,828,696	4,057,916	4,153,059	3,773,074	3,696,028	3,753,308	3,250,186	2,767,016
Tuition	503,324	423,034	470,430	452,673	409,907	351,984	383,168	406,661	556,040	608,610
Other	1,141,122	1,479,774	649,761	606,705	533,259	646,502	640,009	1,222,713	600,441	539,291
Intermediate sources	10,834	17,949	26,939	29,318	98,520	22,688	30,171	28,627	33,771	16,026
State sources	4,477,070	4,318,079	4,048,539	3,542,800	3,372,499	3,254,842	2,876,171	3,401,412	3,328,660	3,115,847
Federal sources	281,785	339,063	312,385	583,471	601,384	1,128,122	846,533	438,928	374,159	345,295
Total	<u>\$ 10,184,909</u>	<u>10,184,065</u>	<u>9,336,750</u>	<u>9,272,883</u>	<u>9,168,628</u>	<u>9,177,212</u>	<u>8,472,080</u>	<u>9,251,649</u>	<u>8,143,257</u>	<u>7,392,085</u>
Expenditures:										
Instruction:										
Regular	\$ 2,678,394	2,611,318	2,595,503	2,512,760	2,476,134	2,554,927	2,298,973	2,705,269	2,561,874	2,441,247
Special	1,354,661	1,318,543	1,351,797	1,262,584	1,225,910	1,247,088	1,282,803	1,316,604	1,101,386	1,229,717
Other	1,407,839	1,395,783	1,119,585	1,298,162	1,102,162	1,145,246	1,305,973	1,182,923	991,338	931,330
Support services:										
Student	205,231	222,916	257,194	163,126	253,410	174,013	214,196	208,071	179,619	185,798
Instructional staff	437,665	178,053	179,366	398,471	429,304	282,402	269,110	349,186	289,891	289,064
Administration	741,969	785,903	788,329	733,337	727,778	706,870	780,963	815,824	835,415	866,402
Operation and maintenance of plant	744,730	680,132	663,026	623,458	654,235	681,633	631,017	630,818	651,021	556,011
Transportation	419,188	391,949	633,638	468,127	418,737	491,031	370,842	481,274	445,958	503,431
Other expenditures:										
Facilities acquisition	3,069,312	203,699	297,720	361,064	545,317	1,319,845	5,307,406	3,826,197	504,012	101,995
Long-term debt:										
Principal	695,000	685,000	680,000	530,000	409,071	412,161	375,902	244,702	23,558	22,467
Interest and other charges	192,618	189,542	202,218	414,727	367,544	384,614	411,004	292,306	48,860	6,351
AEA flowthrough	267,562	258,834	246,746	235,770	233,293	268,451	267,205	248,593	236,762	228,129
Total	<u>\$ 12,214,169</u>	<u>8,921,672</u>	<u>9,015,122</u>	<u>9,001,586</u>	<u>8,842,895</u>	<u>9,668,281</u>	<u>13,515,394</u>	<u>12,301,767</u>	<u>7,869,694</u>	<u>7,361,942</u>

See accompanying independent auditor's report.



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of Mount Ayr Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Mount Ayr Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Ayr Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Ayr Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Ayr Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Ayr Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Mount Ayr Community School District's Responses to Findings

Mount Ayr Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Mount Ayr Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Ayr Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

November 28, 2016



**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

- A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

- 1 Certified Budget - Expenditures for the year ended June 30, 2016, exceeded the certified budget amounts in the other expenditures functional area.
- Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion – Response accepted.
- 2 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 3 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 4 Business Transactions - No business transactions were noted between the District and District officials or employees.
- 5 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 6 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- 7 Certified Enrollment - No variances in the basis enrollment data certified to the Department of Education were noted.
- 8 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 9 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

**Mount Ayr Community School District**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

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- 10      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 11      Sale of Property - During the year ended June 30, 2016, the District made sales of property in accordance with Chapter 297.22 of the Code of Iowa.
- 12      Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- 13      Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance, as restated		\$	780,253
Revenues/transfers in:			
Sales tax revenues	\$	616,816	
Other local revenues		133	
Intermediate sources of revenues		-	616,949
			<hr/> 1,397,202
Expenditures/transfers out:			
Instructional staff support		199,827	
Administration		56	
Operation and maintenance of plant		3,500	
School infrastructure construction		123,320	
Transfers to other funds:			
Debt service funds		248,874	575,577
			<hr/> 575,577
Ending balance		\$	<hr/> <hr/> 821,625

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- 14      Deficit Balances – The Debt Service Fund had a deficit balance at June 30, 2016.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate this deficit in the Debt Service Fund at the end of the fiscal year.

Conclusion – Response accepted.